(42) T.M. 1-36

I wish to address you on the subject of the Mysore Subsidy which, as you may be aware has, since it was enhanced to its present figure, been a constant burden on the resources of my State and which, in my opinion, is a matter for re-examination in the light of the representations that are made hereunder in connection with the whole question. I may add that an official communication has already been sent to the Residency in the matter last August.

2. The effects of the War which happily has now ended with victory to the allied arms and defeat and disintegration of Germany, began to manifest themselves even in the matter of the relationship of the Ruling Princes with the Government of India and the Paramount Power during the whole course of its progress; and in the Report on Constitutional Reforms, it has been stated -

"With one accord the Rulers of the Native States in India rallied to fight for the Empire when War was declared; they offered their personal services and the resources of their States. Imperial Service Troops from over a score of States have fought in various fields and many with great gallantry and honour. The

"The Princes have helped lavishly with men and horses, material and money, and some of them have in person served in France and elsewhere. They have shown that our quarrel is their quarrel; and they have both learned and taught the lesson of their own indissoluble connection with the Empire and their immense value as part of the polity of India."

The Report also after describing the effects of British policy on the administration of Indian States gave what appears to me to be the true interpretation of Treaties in the following words:

"The conditions under which some of the Treaties were executed have undergone material changes and the literal fulfilment of particular obligations which they impose has become impracticable. Practice has been based on the theory that treaties must be read as a whole and they must be interpreted in the light of the relations established between the parties not only at the time when a particular treaty was made but subsequently".

3. As a result of these views being circulated to the Princes with the definite proposition that treaties may be revised with the mutual consent of the parties for the purpose of simplifying and standardizing custom and practice, there has been a general concensus of opinion that the proposal is a good one and should be adopted - an opinion which was given expression to at the Chief's Conference held last year at Delhi. In regard to this very matter, I have expressed my own personal opinion in the

views contained in the Memorandum dated the 11th October 1918 to the effect that the Mysore Government were agreeable to an examination of the treaties in order to simplify, standardize and codify existing practices for the future and that it is very necessary that opportunity should also be taken to concede to the State the fullest freedom compatible with Imperial interests for its industrial and economic development. I would, in this connection, invite a reference to the speech of His Highness the Maharaja of Kolhapur at the last Chiefs' Conference in which he very forcibly pointed out the urgent necessity for the revision of treaties on general as well as particular grounds. He pointed out that certain Articles of the treaties were introduced at the time when the country was not completely settled and when special safeguards and precautions had to be taken. Referring to certain obligations imposed by the Treaty of Kolhapur, His Highness concluded by saying that the policy of zealous watchfulness has given place to a policy of trust and union and as such, the treaties unsuited to the present conditions are highly derogatory to the dignity of the State and require cancellation. It is understood that at the Chief's Conference, a permanent Committee of Princes was formed for one year to have periodical sittings with the officers of the Imperial Government from the Political and Legislative Departments in order that the subject may be threshed out in all its bearings and finally settled. I consider that in regard to my own State, the question of the revision of the Treaties stands on a somewhat different footing

as it was revised only in 1913. It may be urged therefore that whatever revision was necessary in the Treaty of Mysore, has already been effected in the new Treaty of 1913 and no further questions therefore can be allowed to be raised at the present moment. In answer to this argument, it may be urged that the Treaty of 1913 is practically a replica of the Instrument of Transfer, the Articles 21 and 22 of the Treaty being the only ones in which clauses 22 and 23 of the instrument of Transfer were materially re-cast. The revision of the terms then made was as stated in the pre-amble, due to the fact that the British Government were, to a large extent influenced by the generous desire to recognize the zeal and attachment of the Rulers of the territories of Mysore to the Crown and by the excellence of the Mysore administration since the Rendition as well as the high esteem in which His Highness the Maharaja has been held by the British Government. The terms confine themselves mainly to the general and somewhat indefinite clause authorizing the Paramount Power to interfere in the internal administration which, at the Chiefs' Conference was strongly resented as being out of date by the Maharaja of Kolhapur and other Chiefs. It is therefore, extremely probable that in the revision of treaties, the Ruling Princes will urge upon the Government of India as a result of the move that was made at the last Chiefs' Conference, this general clause will be modified in respect of all Indian States. Mysore may therefore be said to have anticipated in 1913 the revision that is about to take place in other States on this particular

point. The Mysore Treaty, however, underwent no revision nor was there discussion relating to Article 4 corresponding to Article 5 of the Instrument of Transfer which stipulated as follows:-

> Article 4. - "The British Government having undertaken to defend and protect the said territories against all external enemies and to relieve the Maharaja of Mysore of the obligation to keep troops ready to serve with the British Army when required, there shall, in consideration of such undertaking, continue to be paid from the revenues of the said territory to the British Government an annual sum of Government rupees 35 lakhs in two half yearly instalments".

The following are the several treaties declaring the relationship of Mysore with the British Government:-

Subsidiary Treaty of 1799

Treaty of 1807

Instrument of Transfer 1881

Treaty of 1913

and the subsidiary terms can be traced from the earliest document of more than 120 years, but in the Despatch of Lord Hartington dated 12th August 1880, His Lordship referred to "opsolete engagements of a former period", thereby admitting the principle which is discussed in the foregoing paragraphs.

4. I would now take this opportunity to state that during the

past 6 years several events and far reaching changes due chiefly to the War have completely altered the situation and justify an examintaion of this tstipulation in the Treaty as regards the Subsidy; and I wish mainly to urge that under existing conditions of the political relationship between the State and the Government of India which have so satisfactorily worked during a time of extreme stress and danger to the Empire, the stipulation in regard to the Subsidy is not only a heavy burden on the finances of the State but also derogatory to the dignity of my House and my State.

5. I wishto set forth in detail the considerations upon which I would ask the Government of India to re-consider the matter at the present moment. I am aware that the question is not altogether a new one and that it came up for discussion on more than one occasion; but here again, I may point out as explained below the conditions and circumstances even on those previous occasions were totally different and an altogether new situation has now arisen which renders it absolutely necessary in the interests of my State to urge upon Your Excellency's attention the desirability of re-examining the case.

6. Before giving a history of the Mysore Subsidy I wish to refer to the main political considerations which have been followed by the Imperial Government in imposing obligations on Native States for the purpose of common defence. Sir William Lee-Warner in his book on Native States has explained how with the gradual growth of the British Protectorate in India, the

precise liability of each State for its share of military defence could not be worked out in detail and therefore the Paramount Powe# has been content with its indefinite claim upon the resources of the State in cases of emergency instead of assessing the precise share which each of them must c ntribute whether in arms or money. From the point of view of Ruling Chiefs it may no doubt be urged in the words of one who spoke at the last Chief's conference - "I have no doubt that the States did and would continue to do everything in their power to assist the British Govt in war time. But they would resent if they are told that Sir William's doctrine is to be read as an article of their treaties. The British Government too have wisely and rightly not made use of any language implying compu lsion" .

In discussing the main question of common defence further, Sir William Lee-Warner indicated the dangers of a scheme of military co-operation and pointed out in a indirect manner the inconsistency of commuting and fixing the military liabilities of Indian States when at the same time, those States of their own voluntary will loyally offered to maintain regiments for Imperial defence. He says "Once more the problem of Military co-operation has forced itself upon the attention of the British Government and its allies. The idea expressed in the new experiment for providing imperial service troops marks a change from the policy of distrust and isolation which prevailed in the earlier pericdsof British intercourse. The States which have

come forward with spontaneous offers of military co-operation are welcomed in the new spirit of union. That the experiment may not ~~know~~ have to be put to the extreme test of war with a foreign power is much to be hoped. But should the need arise, there is no reason to question the value of these troops in the day of trial".

It need hardly be pointed out that the experiment has more than justified itself during this war and may further be expended on the same principle without in any way insisting on unlimited liability in the manner that has been suggested by Sir William Lee-Warner. This author has quoted Mysore as an exception to the principle of unlimited liability inasmuch as in the Mysore Treaty, obligation is assessed at a fixed sum. There were no doubt valid reasons for assessing such a liability in rupees at the time when the obligation was first imposed, viz., in 1799. Whether the present circumstances would justify a continuance of the arrangement arrived at over 120 years ago is a question that may legitimately be asked by the present Mysore administration.

A correct understanding in regard to the Mysore subsidy would be facilitated by a brief historical narrative of the circumstances that led to the fixing of the obligation on Mysore under a common defence in money from the very beginning and to the subsequent enhancement thereof. Atchison's Treaties and Engagements, Vol.IX, gives adetailed account of

the circumstances which led to the Treaty of 1799 under which the Maharaja was to pay 7 lakhs of star pagodas a year for the location in the Mysore territory of a British Subsidiary Force and right was reserved to the British Government to resume the whole or part of the Mysore territory if there should be cause to apprehend failure in the payment of the subsidy and it also required the Maharaja to contribute for meeting the extraordinary expenses of the war, which should bear a just and reasonable proportion to the revenues of the State. It is necessary to emphasise the political necessities of the time which justified the imposition of such a heavy obligation. The annual payment of 7 lakhs of star pagodas equivalent to 24½ lakhs of rupees in ~~xxxxx~~ modern currency was calculated upon the expenses necessary to maintain a British military force in Mysore for the defence and security of His Highness dominions. The indefinite obligation imposed by Article 3 of the Treaty of 1799 related entirely to a state of war and the principle laid down in respect of such obligation was that it should bear a just and reasonable proportion to the actual net revenues of His Highness. Subsequently that is in 1807 this indefinite obligation was commuted to a fixed liability "to maintain at all times fit for service and subject to muster a body of 4,000 effective horse" (Article 1 of the Treaty of 1807). Under Article 4 of the same Treaty,

Mysore was absolved from all retrospective claims on that account. When making this provision for the maintenance of 4,000 horse, it was understood that 1,000 of them would be required for internal protection of the country and that the remaining 3,000 would always be available as a standing army to accompany and serve with the Hon'ble the East India Company's Army beyond the territories of Mysore.

In effect, the Treaty of 1807 while purporting to give definiteness to the provisions of the previous Treaty greatly enlarged pre-existing obligations. For an indefinite liability to contribute to the expenses of defensive war it imposed a continuing obligation to maintain a large standing army at all times, i.e. both in Pease and War. At the beginning of the 19th century, when the condition of the country was still unsettled and the prospect of war was an everpresent contingency, the maintenance of a large army in Mysore was, perhaps, no luxury. But with the establishment of pax Britannica throughout the Indian Continent and the restoration of settled conditions in Southern India, a large and expensive military establishment became a needless and extravagant precaution.

It was for this reason apparently that during the administration of Mysore by the British Commission the strength of the Cavalry was gradually reduced till it consisted of one thousand horse at the time of the Rendition in 1881.

The question of the Subsidy came up for consideration

in 1867 when Her Majesty's Government decided to hand back the State to the Mysore Ruling Royal Family. The Secretary of State for India, Sir Stafford Northcote wrote in his Despatch to the Governor General of India in Council, dated 16th April 1867, "As the cost of supporting troops has largely increased since the date of the Subsidiary Treaty of 1799 it will obviously be necessary that the terms of that Treaty should be revised and some addition made to the Subsidy. The great increase which has taken place in the resources of Mysore since 1799 will prevent such addition being felt as an additional burden" "The precise terms of t the revision" it was added "may be left to be settled when the young Prince is put in possession of the administration" I wish to emphasise the fact that a revision was proposed to BE MADE THEN OWING TO THE INCREASED COST ON THE ONE hand and increased resources of Mysore on the other and to suggest that a similar revision now may be justified owing to there being a separate military expenditure for Inperial and internal protection and owing to the present financial position.

Be that as it may. The question was taken up as indicated above on the eve of the Rendition, when for the

first time the provisions of the Treaty of 1807 (which had never before been enforced by the succession of distinguished British officers who had governed Mysore) were brought up for satisfaction. It was calculated that the cost of the standing army which Mysore was required to maintain for external service (3.000 horse) would have cost about 10½ lacks per annum and it was decided that this amount should be added to the annual Subsidy of Rs 24½ lacks making inall Rs.35 lakhs. This Subsidy, the Government of India wrote "will discharge the state of its existing obligation to maintain a contingent for service outside its territory" I would invite your Excellency's attention to thw words under-lined by me in the above extract. These proposals were approved by Her Majesty's Goverrment and embodied in the Instrument of Transfer. In sanctioning this arrangement the Secretary of State the Marquis of Hartington wrote "After careful consideration of the reasons adduced for fixing the future subsidy at the sum stated (Rs.35 lakhs) Her Majesty's Government are disposed to agree that having regard on the one hand to the liabilities undertaken by the British Government towards Mysore and on the other hand to the financial prospects of the Province, the amount is not in excess of what may hereafter be reasonably demanded".

Though the Subsudy was fixed at Rs.35 lakhs it was now levied at the enhanced rate till 1896 in view of the ~~crippled financial~~

crippled financial condition of the State as a result of the great famine of 1877-78. Since the year 1896 however the subsidy has been demanded and paid in full. It may be indidentally remarked here that while the Instrument of Transfer required the payment of the subsidy in two half-yearly instalments, in actual practice the instalments have been demanded in January and March every year leaving only a short interval of two months.

With reference to the above, it may be interesting to quote from some of the important historical documents connected with these transactions. On the 3rd March 1880 His Excellency the Governor General wrote to the then Secretary of State, Viscount Cranbrock, a letter which contains some significant statements connected with the subsidy, and a few extracts from it are given below for your Excellency's information.

1. "Acting upon the view taken by Sir Stafford Northcote's Despatch of 1867 we hold that the Government of India are not now required to examine the terms of the Treaties of 1799 except so far as those terms express a policy of reconciling the maintenance of an Indian Dynasty in Mysore with good Government and the security of British interests. It seems indeed, to be the clear intention of Her Majesty's Government that all previous controversies as to the precise character of those treaties are to be set at rest and finally extinguished by a new settlement, which will supersede all prior

engagements and will constitute a new departure in the relations existing between the British Government and the Maharaja's family",

2. "There can be no doubt whatever that under the policy which has throughout dictated all our arrangements with Mysore, the State's revenues stand pledged to a substantial contribution, in full proportion to the resources of the country towards the cost of British troops for its general defence and security and also towards the additional charges of actual War",

3. "But, although we have an incontestable right to take full account of the fact that the State's Revenues have nearly doubled since the administration passed into our hands, we do not propose to follow these calculations in dealing with the question of the future contribution to be made by Mysore. The augmented revenues of the State are chiefly due to improved administration, and it is to be remembered that with the reform of the Administration its cost has increased; and that the Government of India have set up in Mysore, and are stipulating for the maintenance of, a Government completely organised in all its branches at a high and therefore expensive standard of efficiency. In this and in various other respects, a far larger proportion than formerly of the revenues of the State will be devoted to

the interests of the people and to works of great public utility. We may also give some credit to Mysore, in considering the question of her financial relations with the Government of India, for the yield of the Excise which is now paid to British revenue upon all salt consumed within the State.....".

4. "It is very probable under our present military system, that the Maharaja will hereafter be required to raise the force upon a military footing to its full obligatory compliment, or to keep up cavalry ready to accompany the British troops for foreign service. The existing body of 1,000 horsemen may be held to represent the proportion of the original force requisite for internal protection of the State; and it may be concluded that the Auxiliary force available for external service has virtually ceased to exist and need not now be revived. Upon this view, and without taking account of the arrears claimable for the past years during which, the full strength was not insisted upon, the difference between the cost according to the estimates of the time, of the whole original body and the cost at the same rate of the Silledar establishment still retained may be taken as the lowest measure of the pecuniary gain to Mysore under present arrangements. The difference computed in this way amounts to 10½ lakhs British currency but if the actual cost at the present time of maintaining 3,000 effective horsemen ready for service be taken, the difference will rise to 15 lakhs. It is manifest therefore that by an addition of 10½ lakhs in discharge of this Treaty obligation to the permanent Subsidy, the claim of the British Government will have been adjusted in a manner convenient and very favourable to

Mysore".

5. *"Our opinion therefore after carefully reviewing the whole question of the contribution partly payable by Mysore towards the general Military expenditure of the Empire is that the permanent money subsidy may be assessed at 35 lakhs though the full amount may or may not be at once demanded".*

6. *"Itis, however, our desire to encourage in every way the employment of the resources of the country in the improvement of the condition of the people by the maintenance of Good Govt: and by the development of productive public works".*

In the Secretary of State's reply to the above communication, the following decision was given

"After careful consideration of the reasons adduced for fixing the future subsidy at the sum stated, Her Majesty's Government are disposed to agree that, having regard on the one hand to the liabilities undertaken by the British Government towards Mysore and on the other hand, to the financial prospects of the Province, the amount is not in excess of what may hereafter be reasonably demanded."

But the levy of the increased subsidy in the same letter was ordered to be postponed for a period of five years from the date of the Maharaj's accession. I would like to draw special attention to the extract from a letter from Mr. Cuningham, Secretary to the Chief Commissioner of Mysore to Mr. Lyall, Secretary to the Government of India, Foreign Department dated 17th December 1880, giving the opinion of Mr. Gordon the Chief Commissioner, in regard to the increase to the Mysore Subsidy.

Annexure A.

"As regards the proposed increase to subsidy, the Government is aware that Mr. Gordon has never advocated such increase. Since giving his opinions against the increase, he has closely investigated and considered the financial condition and resources of the Province, and he feels very considerable doubt as to its capacity, now or hereafter, to bear any material increase to the subsidy, in addition to the heavy charge (four lakhs of rupees annually) thrown on the Province in the shape of interest on the famine debt. Mr. Gordon has no hesitation in most strongly supporting the proposed postponement of any increased subsidy, at least for five years. This would give the Province some little breathing time, for at present the financial condition is very straitened. Assuming that this postponement will be adopted, he would ask the Government of India to consider whether it may not be expedient to refrain from expressing in the Kannad now, what the amount of the permanent subsidy shall be, and whether it may not be more

> profe/rable merely to state that, in the opinion of the Government, an increase is fairly demandable, but that, ow ing to the financial condition of Mysore, no increase will now be demanded and the question as to what such increase shall be is deferred for consideration for five years, th it will be determined. It appears to Mr. Gordon that this course, whilst sacrificing nothing in the present (the postponement of increase being, it is assumed resolved on will leave the Government quite free to determine on the proper increase - ten lakhs or more or less as the case may be - after the lapse of a sufficient time to admit of a satisfactory judgment on the recuperative powers and resources of the Province".

It will be seen that Mr. Gordon doubted the capacity of Mysore then and in future years to bear any material increase to the subsidy and requested

the Government of India to leave the question of imposing any additional burden on Mysore as an open one to be decided later. The Government of India, however, ruled that after the period the question may be determined according to the circumstances and resources of the State but that the maximum amount should remain recorded in the Sannad "in order to preclude all doubt as the complete discretion of the Government of India to deal authoritatively with the matter".

The Instrument of Transfer was signed by Lord Ripon on the 1st of March 1881 and clause 5 thereof says "The British Govt have unaertaken to defend and protect the said territories against all external enemies and to relieve the Maharaja of Mysore the obligation to keep troops ready to serve with the British Army when required, there shall, in consideration of such undertaking be paid from the revenues of the said territories to the British Government an annual sum of Government rupees thirty five lakhs in two half-yearly instalments".

On the 20th July 1881, Sir J.D.Gordon, Resident in Mysore, wrote a letter to His Highness in which he assured His Highness that the British Government had not any desire to require of the Mysore State to pay a larger subsidy than it is well able to pay. He added, - "The Government of India is wont to give every consideration to Native States in such matters, and Your Highness will see in the postponement of the proposed increase and in the permission to the Government of India to re-consider the subject if necessary, at the expiration of the

postponed period, the best practical proofs of a desire on the part of the British Government to deal fairly, considerately and tenderly with the Mysore State in this matter."

In regard to the restriction imposed on the limit of military strength within the Mysore State, the Resident pointed out that "to maintain a larger force than is required is a waste of public money that might for the good of the people be otherwise profitably employed. Experience in other Native States has shown that the maintenance of a large body of soldiers, for whom real work cannot be found, is a source of great and needless expense in time of quiet and a source of much danger and trouble in time of disturbance".

Subsequent history of the Subsidy question shows that the principles so clearly set forth in Sir J.D.Gordon's letter were not closely followed in dealing with it. In November 1884, the Dewan of Mysore wrote to the Resident apparently under the impression that the subsidy question was still an open one on the strength of Sir J.D.Gordon's letter and pointed out the uncertainty of the future after 1886 with which the period of five years for which increase has been remitted was to expire. In eloquently urging a favourable settlement, the Dewan pointed out that the addition of even a part of the proposed increase would lead to retrograde measures and the whole of the increase if insisted upon would result in bankurruptcy and fiancial ruin. The question then, was intimately connected with the Railway scheme also and the Resident assured the Dewan in 1885 that the Government of India are

sure to behave liberally in the matter of the Subsidy explaining that Lord Dufferin "who is generously disposed towards Native States will be willing to re-open it". The final decision of the Govefnment of India, however, was communicated to the Durbar in the Residency letter dated the 17th June 1885 from which I give the following extracts:-

1. "You have more than once represented your views on behalf of His Highness' Government both as to the present and prospective condition of the finances of the State, and you have urged that in order to place the ~~finances~~ resources of the State on a satisfactory footing, the enhancement of the subsidy should, if not altogether abandoned, be postponed for a considerable period.

2. "The Government of India is willing to admit that the revenue of Mysore is not now so large as was anticipated at the time that the amount of the enhancement was fixed. But after a careful consideration of all the circumstances of the case, the Governor General in Council is of opinion that the failure of the State to realize the increase of revenue which was expected is not a sufficient reason to justify the entire abandonment of the enhanced subsidy.

3. "It is to be borne in mind that the proper amount of the enhancement was deliberately calculated less than 4 years ago, on a review of the past and present financial position of Mysore. The Railway scheme above referred to will, in effect, procure for the State, an assurance

against expenditure consequent of the recurrence of famine an insurance which the Durbar, if left to its own credit in the market or to its own resources, could have provided only on much more costly terms and after a considerable lapse of time. The financial proposals which form a part of the railway scheme will have a very favourable effect on the provincial revenues, since after ten years the annual payments for interest on loan, redemption on famine debt and interest on railway debentures should, by their operation, have declined from Rs.9,35,000 to Rs.4,80,000. It is further to be remembered that so lately as 1882, the Government of India made a valuable concession in respect of the interest on its loan to the Durbar, which it reduced from 5 per cent to 4 per cent. The Government of India considers that no fresh circumstances have arisen since 1882, which would enable it to justify to the Secretary of State a proposal to go back upon the decision which was then adopted and which received the approval of His Lordship.

4. "While arriving at this conclusion, the Governor General in Council, is however, prepared as already stated, in view of the embarrassed condition of the Mysore finances and the demands upon its resources to recommend to the Secretary of State that the enahced subsidy shall, after the laspe of the present term of five years for which it has been relinquished, ~~xxx~~ be foregone for an additional period of 10 years. But the Government of India can hold

out no hope whatever that the subsidy will be postponed for any further period".

It will be observed from the above, that the railway scheme had something to do in persuading the Government of India to come to this decision. The financial results of that scheme as well as the sterling debenture loan will be described in a separate Memorandum (Encl.I) with a view to show how the Mysore State exactly stands in regard to these transactions. In this connection, I may perhaps also mention that the Durbar was persuaded to agree to the Government of India scheme relating to Railway extension on the advice of the Resident given in his D.O.letter of the 2nd November 1884 in which he stated "By agreeing with a good grace to accept in this matter, the advice of the Government of India, the Durbar will win the right to favourable consideration in other matters".

My father at the conclusion of the negotiations that were commenced in 1881, conveyed his gratitude to the British Government for postponing the enahncement of the subsidy for a further period of ten years and directed the Dewan to write to the Resident as follows:-

"His Highness the Maharaja is deeply grateful to the British Government for postponing the enahncement of the subsidy for a further period of ten years. His Highness is sensible of the great generosity which the Mysore State has invariably received at the hands of the British Government and he entertains the firm hope that they will continue to watch the progress of the finances of the Province and that they will

take into favourable consideration the necessity of waiving the claim to the enhanced subsidy if, at the end of 10 years, they find that the enhanced subsidy cannot be paid without resorting to retrograde administrative measures and without starving useful public works on which, since the late famine we have not been able to spend the amount which their great importance demands".

This may be considered to be the end of an important chapter in the history of the Mysore subsidy.

In January 1893, Sir K.Sheshadri Iyer raised the question again and submitted a representation to the Government of India urging that the enhancement might be permanently deferred and that Mysore may be permitted instead, to furnish 2 Cavalry Regiments for Imperial Service. The Note (Encl.II) embodying the representations in this respect is appended to this communication. The request, however, did not receive the favourable consideration of the Government of India and Col.Henderson srote to Sir Sheshadri Iyer in 1893 - "His Excellency regrets his inability to entertain the proposal to substitute a Force of Imperial Service Cavalry for the enhanced subsidy due in 1896".

In July 1895, Sir Sheshadri Iyer again submitted a Memorandum pointing out the inexpediency of levying the enhanced subsidy (Encl.III). I would invite particular attention to Paragraph 15 of this 2nd Memorandum and to the following statement in parag.18 viz., that "the enahnced subsidy of $10\frac{1}{2}$ lakhs will be a mere drop quite inappreciable in the great Imperial Exchequer.

Its giving up will not be the giving up of an existing source of income to the British Government but will merely have the effect of reducing a proposed new item of income. It will however, affect the State in a very different manner. It will make a new heavy addition to the State's existing annual liabilities and will appreciably reduce the funds at its disposal for works and measures of public utility. As previously stated, Mysore already contributes its fair quota to the Imperial Treasury both directly and indirectly. It has, in addition, large internal demands upon its resources which, in the interests of Good Government and the wellfare of the people cannot be ignored. Surrounded on every side by British Provinces, and with the traditions of 50 years of British rule, Mysore unlike other Native States, has to maintain a costly administrative machinery.....".

The Durbar were, however, informed in the Residency letter dated the 2nd December 1895 that the Government of India although desirous of treating the Mysore State with the utmost consideration, see no reason to further postpone the enhancement of the subsidy to 35 lakhs which was accordingly levied and is being levied with effect from the 1st April 1896. An appeal against this decision was preferred to the Secretary of State for India but he found no reason to modify his concurrence with the decision arrived at by the Government of India (Vide Residency letter dated 27th May 1897). This concludes the 2nd important chapter in the history of the Mysore subsidy.

Although I am not unmindful of the considerations which led the Government of India and the Secretary of State to reject

the previous representations of the Durbar on the subject, I would respectfully urge that the entire question of the subsidy will bear a re-examination under the altered circumstances of the present time.

In 1799 when the original subsidy of 7 lakhs of star pagodas per annum equivalent to 24½ lakhs of British currency was fixed, the condition of the country was such that the details of the Treaties between the East India Company and the Native States had to be necessarily fixed solely with reference to the needs and exigencies of each individual case. In the disturbed condition of the country as it then stood, there could be no comparison with other States. Happily after a lapse of 120 years, circumstances have so changed as to make comparison possible and standardisation desirable - a doctrine which has been authoritatively accepted in the proposals made by the Right Hon'ble the Secretary of State and His Excellency the Viceroy in their Joint Report on Constitutional Reforms. India including the Native States is on the eve of a new period in her history. It may not, therefore, be considered inopportune to re-examine the whole question with a view to re-adjust the situation as regards the subsidy created by the old and historic Treaty executed under entirely different circumstances.

The Mysore subsidy compared with the tribute paid by other Indian States will stand as follows:-

TRIBUTES & CONTRIBUTIONS FROM PROVINCES AND NATIVE STATES.

India General.....	*19,47,897*
Madras excluding Mysore.....	*9,96,519*
Bombay.....	*13,94,235*
Bengal.....	*67,701*
United Provinces of Agra and Oudh...	*3,21,000*
Punjab.....	*1,46,452*
Burma.....	*4,48,099*
Bihar & Orissa...	*85,499*
Central Provinces & Berar.	*2,28,937*
Assam.....	*50,100*

Mysore.....	*35,00,000*
Baroda.....	*4,02,000*
Gwalior.....	*nil.*
Indore.....	*5,950*
Travancore.....	*7,96,000*
Cochin.....	*2,00,000*
Cashmir.....	*five shawls.*

The above statement shows that though Mysore is by mam no means the large or most populous State in India, it pays the heaviest contribution for the military defence of the Empire. No other State pays more than a fifth of the Subsidy for which Mysore is liable. The total area of all the States in India is 675,267 sq.miles, of which Mysore comprises 29,461 sq.miles, i.e. 4.7 per cent. In point of population, while the total for all Indian States comes to 70,864,995 that of Mysore is 5,705,359 i.e. about 8.2 per cent. As regards tribute however, out of the total amount about Rs.92 lakhs realized by the Government of India, Mysore pays 35 lakhs, i.e. nearly 40 per cent. These figures clearly show the disparity between Mysore and other Indian States in the matter of their contribution to the common defence of the Indian Empire.

But the subsidy heavy enough in itself, does not represent the full measure of Mysore's contribution towards the defence of

the Indian Empire. The people of Mysore pay various taxes to the British Government in the form of salt tax, import duties, etc. These indirect contributions amount to 43½ lakhs and are derived as follows:-

Assuming that the consumption of salt is about the same as in the rest of India, the amount paid by the people of Mysore for duty on salt, practically the whole of which has to be imported into the State, comes to Rs.14,28,840. The profit on the sale of opium, calculating it at Rs.3-8-0 per seer on 1,500 seers may be taken at Rs.5,000.

Mysore share of the net receipts from import duties may be estimated in two ways, viz., (1) by calculating the duty on the actual imports into Mysore, and (2) on the assumption that the average rate per capita in Mysore is as in British India. The two methods give Rs.20,85,000 and Rs.20,42,000 respectively. The mean Rs.20,60,000 in round figures may be taken as a fair estimate.

The profit which accrues to the Government of India on the circulation of currency notes in Mysore (roughly one and one-third crores) is estimated at Rs.3 lakhs and that on the coinage of silver at Rs.4,50,000. The Mysore share of the profits on the coinage of bronze and nickel comes to Rs.32,000.

Among other items of indirect contribution may be mentioned:-

Commission on money orders.....	Rs.88,000
Income-tax on the surplus profits of the M'& S.M.Railway Company for working the Mysore Railway....	2,000
Mysore share of surplus profits on the Government of India Railway (Bangalore to Basanthan) situated in Mysore.....	67,000

The total of these items comes, as already stated, to Rs. 43½ lakhs.

Besides the above, the Mysore Government maintains the Imperial Service Lancers and the Imperial Service Transport Corps at a cost roughly of Rs.7½ lakhs per annum including Pension charges. The expectations with which these units were formed may be stated in Sir Sheshadri Iyer's words (vide his demi-official letter dated the 28th December 1899):-